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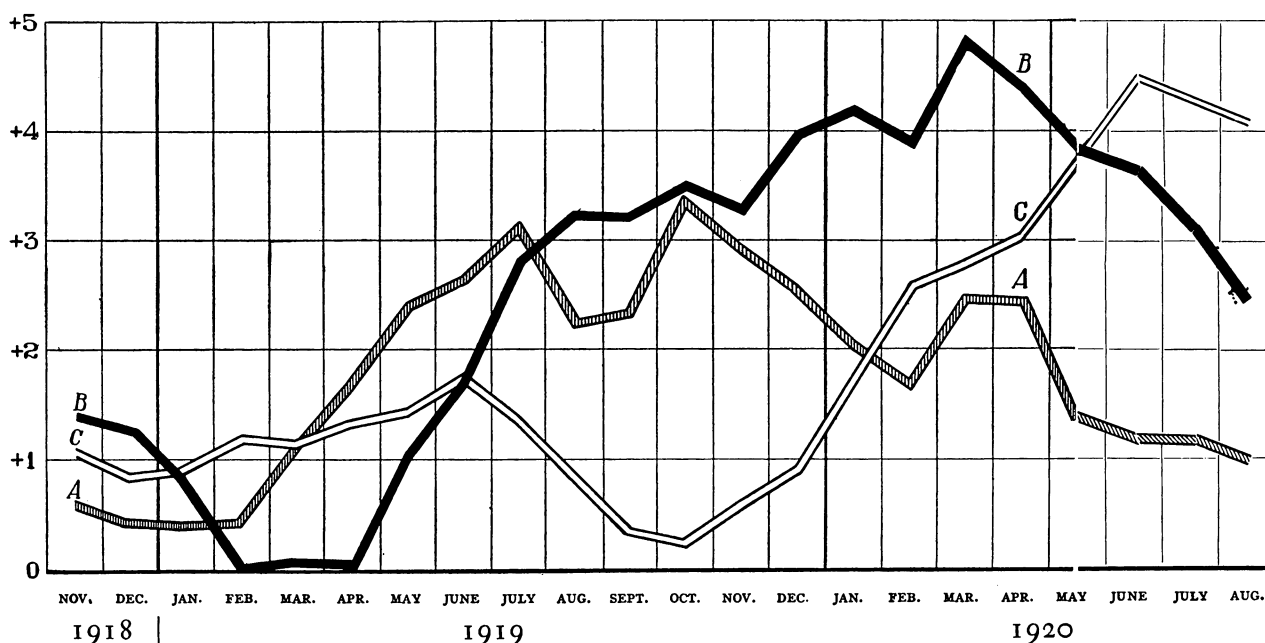
MONTHLY SURVEY OF GENERAL BUSINESS CONDITIONS

September 25, 1920

OUR index of speculation, curve A, which includes both prices of stocks and volume of sales, continued to decline gradually in August. Actual rates on commercial paper stiffened slightly, but the figures corrected for seasonal variation, curve C, show some recession. Likewise the prices of commodities suffered

In the past our index of speculation, curve A, reached its low points at the same time curve C reached peak, or very shortly after. During the ensuing periods of receding interest rates, the prices of stocks and the volume of sales, curve A, either ceased to fall or started to rise. The present downward movement of curve C

INDEX CHART



GROUP A — SPECULATION: New York Bank Clearings, Shares Traded on the New York Stock Exchange, Price of Industrial Stocks.
GROUP B — BUSINESS: Bank Clearings Outside New York City, Bradstreet's Price Indices.
GROUP C — BANKING: Rate on 4-6 Months Commercial Paper, Rate on 60-90 Day Commercial Paper.

EXPLANATION: Each one of the three curves is based upon a homogeneous group of statistical series, that is, the members of each group have synchronous cyclical fluctuations after having been corrected for seasonal variation and normal growth, and expressed in comparable units. In other words, the corrected series of each group fluctuate together.

Our interpretation of the fluctuations of the three curves of the current index chart is based upon the relationship which was discovered among similar curves for the period 1903-14. All three curves had wave movements, but the upward swings and the crests of the waves were not reached simultaneously. The major movements of speculation preceded those of business by 4 to 10 months, and the movements of business preceded those of banking by 2 to 8 months. The sequence of movements holding for upward swings and crests also held for downward swings and troughs.

The relationship between the curves which held for the pre-war period appears to have reestablished itself in 1919 so that the movements of the curves constitute a basis for forecasting. Our forecasts, however, are not based solely upon the index of general business conditions, but they allow for

the differences in underlying conditions as revealed by economic analysis. Last autumn and winter, the persistent rise of rates on commercial paper, curve C, and the decline of speculation from the high point of October, curve A, forecasted a decline of business activity and commodity prices, curve B, to be inaugurated in the spring of 1920. In fact business unsettlement was noticeable in April and it has increased since that month while various indices of commodity prices have receded since May.

The duration, rate, and extent of the recession in business activity and commodity prices depend upon the operation of two powerful opposing forces. On the one hand, the shortage of commodities and buildings, abnormal foreign demand for goods and credit, the railroad tie-up, and active retail trade in the United States make for immediate business activity or higher prices. On the other hand, inflated currency and credit, depleted reserves and increasing interest rates, all indicative of capital strain, make for a slackening of business activity and lower prices. At present the money market appears to be the crux of the situation, but we recognize the possibility of the entrance of other factors which may alter the course of developments.

a further decline. The volume of business, as indicated by bank clearings outside New York City corrected for seasonal variation, continued in August at the July level. As a result of the recessions in prices curve B, representing business, fell to the lowest point reached in a year.

During the pre-war period, 1903-14, business activity and commodity prices, curve B, continued to decline for six to ten months after rates for commercial loans had passed the peak. If such rates have now passed the peak, it would indicate that the liquidation in commodity markets now in progress will come to an end sometime between December 1920 and April 1921.

seems already to be accompanied by an arrest of the rapid decline of curve A. In other words, extensive liquidation in security markets has apparently ended.

At the present writing curve C seems to have passed the turning point and curve A to be near one, the former at the crest and the latter at the trough of the wave. If money continues to be high during the autumn, as appears probable, the prices of securities may hardly be expected to rise greatly. On the other hand, if the corrected money curve has passed the peak, as appears likely, further extensive liquidation in security markets is not indicated. Of course, some untoward event may occur in Europe or elsewhere that will result in drastic

liquidation, but nothing of this sort is now on the horizon.

It does not appear, in mid-September, that the banks are having unusual difficulty in financing the crops. In the past, 1870-1913, lawful money in the vaults of national banks decreased 5 per cent, on the average, between July and October. On July 23, 1920 the federal reserve banks had outstanding notes amounting to 3118 million dollars. If the banks should increase the volume of notes in actual circulation by 10 per cent, the ratio of cash reserves to demand liabilities of the combined federal reserve banks would still be over 40 per cent. On September 17 federal reserve notes in circulation amounted to 3290 million dollars and the reserve ratio was 43.8 per cent.

Considering the present status of curves A and C in connection with the banking situation we conclude that the outlook for the autumn and early winter is continued liquidation in commodity markets, financing of the crops and holiday trade without unusual difficulty but at high rates, and a possibility of easier money with an upward turn in security prices.

On p. 246 of this REVIEW we print an article by Professor E. E. Day containing a computation of the total agricultural output of the United States, measured in physical units, for 1920 and preceding years. The figure for 1920, based upon the Department of Agriculture's recent estimates of leading crops, indicates that the total volume will be greater this year than in any preceding year. Index numbers of the annual agricultural output of the United States for the past six years, relative to the average for the five-year period 1909-13, are as follows:

(AVERAGE FOR 1909-13 = 100)

Year	Index	Year	Index
1920	115.2	1917	108.5
1919	110.6	1916	100.4
1918	107.1	1915	113.4

The indices just given are not comparable. Crops in the United States, like population, increase in size, on the average, from year to year. A "normal" crop for 1920 ought to be larger than a "normal" crop for, say, 1915. If we adjust the indices given above to a "normal" which allows for the growth element, we get the following "adjusted" figures:

(“NORMAL” CROP = 100)

Year	Index	Year	Index
1920	100.3	1917	98.6
1919	98.2	1916	92.3
1918	96.1	1915	106.3

From this adjusted index it appears that the agricultural output for 1920 will be slightly above "normal." In addition it may be noted that crops are relatively larger this year than they were in any of the four years preceding. The crop situation, then, is highly satisfactory and should aid greatly in an orderly readjustment of prices and business.

I. THE INDEX

SPECULATION

In August curve A, representing speculation, continued the slow decline that had been in progress since May. The decline resulted from recessions in New York bank clearings and in the prices of industrial stocks sufficient to overcome a moderate increase in the volume of shares traded.

New York bank clearings decreased from 19,830 million dollars in July to 17,890 millions in August, a fall of about 10 per cent. August clearings are usually below July clearings by about 6 per cent, and September clearings run 1 or 2 per cent under August.

The average price of twenty industrial stocks was \$85.40 in August compared with \$90.60 in July. The average prices of twenty rails in the two months were \$74.60 and \$72.80, respectively. The fluctuation in the average prices of industrials has been much greater in recent years than that of rails. In 1920, thus far, the high and low quotations for industrials were \$109.88 on January 3 and \$83.20 on August 10; the high and low quotations for rails were \$78.83 on March 15 and \$67.83 on February 11. Since 1906 railroad stocks have gone through an extended period of liquidation so that now prices are little more than half what they were in the earlier year. With the railroads returned to private control and increased rates in effect it is probable that rails will attract an increasing amount of attention from speculators and investors in the months to come.

The volume of sales on the New York Stock Exchange last month was 13,730,000 shares compared with 12,540,000 in July. The number of shares sold in August was less than half what it was in March and April of this year.

In the first half of September the average prices of both industrials and rails have ruled consistently above the respective averages for August. The volume of trading has not been large.

Bond prices turned upward in August and toward the end of the month the market became strong. The average yield on ten gilt-edged railroad bonds was 6.02 in August compared with 6.21 in July. Dow, Jones and Company's bond index, based upon the combined average price and yield of 40 representative corporation bonds advanced from 57.37 in July to 58.44 in August.

BUSINESS

The decline in August of curve B, representing business, is the result of widespread recessions in commodity prices from the July quotations. *Bradstreet's* index for September 1 is \$17.97 compared with \$18.83 on August 1, a decline of 4.5 per cent. For the past two months the level of prices, according to this index, has been below that existing at the time of the signing of the armistice. All index numbers for the United States agree in showing price recessions in recent months. The dates of the turning points differ, however. The date of the high point for *Bradstreet's* index was February 1, while that

for *Dun's* index and the index of the United States Bureau of Labor Statistics was May. The last-named index declined from 272 in May to 250 in August.

The prices of clothing, textiles, and fibers, particularly cotton and cotton goods, were especially weak in August although there were significant recessions in hides, leather, sugar, tea, coffee, rice, and other articles. Iron, steel, coal, and coke continue to be quoted at high record figures but the tone of the comments on the condition of the markets in those commodities has changed. The passing of the railroad congestion, the increase in the production of pig iron and coal, the recession in the automobile industry, and the general slackening of business have made buyers feel confident that the present extreme prices for iron and coal will not be surpassed.

The volume of business during August, as measured by bank clearings outside New York City, experienced its usual seasonal decline. Clearings in August this year were 93.5 per cent of those in July, this ratio being the same as the average for a series of years. July and August clearings for the entire country and for the different sections are given in the following table:

OUTSIDE CLEARINGS

(Unit: \$1,000,000)

Section	July	August	Ratio of Aug. to July
Middle *	4,001	3,686	92.1
New England	1,891	1,618	85.6
Middle West	5,066	4,623	91.3
Pacific	1,707	1,584	92.8
Other West	2,265	2,260	99.6
Southern	2,723	2,705	99.3
Total	17,653	16,476	93.5

* Excluding New York City.

The future of commodity prices and business depends largely upon the course of the money market. The present satisfactory banking situation makes it probable that the adjustment of business to lower commodity price levels will continue in an orderly fashion. The end of this period of adjustment appears not to be far distant. If easier rates should develop in late autumn or winter, it would give a definite forecast of renewed activity in business.

BANKING

Curve C, representing rates on commercial paper duly corrected for seasonal variation, declined moderately in July and August. Actual average rates increased somewhat in August but the increase was not so great as that usually occurring in the beginning of the crop moving season.

Good single name 4-6 months commercial paper in New York is quoted at $8\frac{1}{4}$ per cent and choice double name 60-90 day paper at 8 per cent. We are now entering a four months period (September to December) when rates for short time loans are usually higher than at any other season of the year. Unless commercial requirements show an unexpected decline, it is improbable that actual bank rates will be very much easier until the turn of the year.

In the first half of September the same rates, 8 to $8\frac{1}{4}$ per cent, were quoted for commercial paper that ruled during August. Call loans were to be had at rates ranging between 6 and 10 per cent. Encouragement should be derived from the fact that the movement of the crops has been handled thus far without an increase in bank rates for loans.

The reports of the combined federal reserve banks since spring indicate that the efforts of the Federal Reserve Board to control and limit credit expansion are succeeding. The net deposits of the combined banks are appreciably lower than they were in the first part of the year. In addition it may be pointed out that the statements of some 800 member banks reporting weekly to the Federal Reserve Board also show that bank credit is now under control. A year ago, the loans, discounts, and investments (including bills rediscounted) of the reporting banks amounted to nearly 18 billion dollars while today these items total slightly less than 17 billions. To be sure, during the year the reporting banks increased the total of their bills payable and rediscounted with the federal reserve banks from 1445 millions to 2201 millions, or over 50 per cent. Nearly the whole of this increase, however, took place between the autumn of 1919 and the spring of 1920. Since last spring the liabilities of reporting banks to the federal reserve banks increased only 5 or 10 per cent, compared with 40 or 50 per cent for the preceding six months.

A year ago the ratio of reserves to demand liabilities of the combined federal reserve banks was over 50 per cent, speculation was active, prices of both securities and commodities were increasing rapidly, and the rate on commercial paper was $5\frac{1}{2}$ per cent or less. Today the reserve ratio is only 43.8 per cent, speculation in both securities and commodities is depressed, prices of securities are relatively low, prices of commodities are declining, and short time money is quoted at 8 per cent and upwards. Comparing the situation this year with that of a year ago we find it improbable that the demands of business and speculation upon the banks will expand as they did last autumn. In spite of the lower reserve ratio the present condition of the federal reserve banks is not such as to cause serious apprehension.

II. THE THREE GROUPS OF SERIES

During August none of the three groups of series exhibited any new developments that call for consideration at this time.¹

¹ During 1919, in order that our readers might follow in all its details the movement of our index of business conditions, we published from month to month charts showing each of the three groups of series entering into the index. Hereafter we shall not publish these charts oftener than twice a year unless it happens that there is some unusual development which makes their presentation desirable. In January and June, therefore, our readers may expect to receive all the details concerning the construction of our index. We publish monthly, however, in our APPENDIX the "corrected items of various series of business statistics" and other material of interest to technical readers. By this arrangement we shall be able to eliminate from our text those statistical facts which have little interest for the average reader.

III. THE INDIVIDUAL SERIES

(A) THE SPECULATIVE GROUP

New York City bank clearings were 17,890 million dollars in August, compared with 19,830 millions in July, a decrease of 10 per cent; the usual seasonal decline in August is only 6 per cent. September clearings are usually a trifle less than those of August, but the October figure normally exceeds that for September by 20 per cent.

New York clearings averaged 14,880 million dollars per month in 1918; there was a steady upward movement during 1919, reaching a high point of 23,980 million dollars in December of that year. The total for August 1920 is about 25 per cent below the figure for last December; however, about two-thirds of this decline is due to the seasonal influence.

The average price of twenty industrial stocks was \$85.40 in August, a decrease of 5.7 per cent from \$90.60 in July.

The average reached a low point of \$70.20 in December 1917. During the two following years, it increased over 50 per cent and attained a record maximum of \$110.80 in November 1919. After that month the trend was downward again, and in August 1920 the average stood a trifle lower than it did in October 1918, the month preceding the signing of the armistice. An examination of the daily figures during recent months shows that there was a decline from \$94.51, attained on July 8, to \$83.20 on August 10. Since the latter date, the index has fluctuated somewhat irregularly, but the trend has been unquestionably upward. On September 22, the index stood at \$87.45.

The average price of twenty railroad stocks was \$74.60 in August, or 2.5 per cent above the July figure of \$72.80.

Current prices indicate that the September average will be higher by several points than the average for August.

During the period 1903-14, this railroad stock index ranged between \$80 and \$140, and averaged about \$110. The prices of railroad stocks moved downward from October 1916, when the index was \$109.10, or about the average level of the pre-war period, until a low point of \$75.40 was recorded for November 1917. There were temporary revivals to about \$89 in November 1918 and in May 1919; but during the last half of 1919 prices again declined, and for the first eight months of 1920 the monthly average for the 20 stocks fluctuated between \$71 and \$77. The daily figures show that the index slumped from \$74.43 on July 10 to \$71.80 on July 28. During August and September, the index has turned upward again, and on September 22 stood at \$80.15.

The number of shares sold on the New York Stock Exchange was 13,730,000 in August, an increase of 9 per cent over 12,540,000 for July. The volume of sales so far in September has been at about the same level as in August.

Trading on the New York Stock Exchange averaged about 15½ million shares per month in 1917, and about 12 million shares per month in 1918. During the twelve months period ending with April 1920, monthly stock sales averaged nearly 28 million shares. This exceeds any previous record for a period of corresponding length; the nearest approach to it is the average of approximately 25 million shares per month for the twelve months ending September 1906. Beginning with last April there has been a decided falling-off in stock transactions; the average for the last five months is about 14 million shares.

ACTUAL ITEMS OF FUNDAMENTAL SERIES OF BUSINESS STATISTICS, 1919-20 *

	GROUP A												GROUP B					
	New York clearings (Units of \$10,000,000)		Price of industrial stocks † (Units of \$1)		Shares traded (Units of 10,000 shares)		Building permits (Units of \$100,000)		Yield on ten railroad bonds (Units of one per cent)		Price of twenty railroad stocks † (Units of \$1)		Outside clearings (Units of \$10,000,000)		Bradstreet's prices * (Units of \$1)		Bureau of Labor prices ‡ (Units of one per cent)	
	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920
January	1786	2321	81.6	104.6	1186	1988	134	700	5.13	5.51	83.2	74.9	1456	1839	18.53	20.36	203	248
February	1419	1814	82.0	94.4	1221	2187	207	689	5.24	5.76	82.8	72.5	1161	1508	17.63	20.87	197	249
March	1649	2233	87.4	99.6	2140	2901	328	850	5.28	5.74	84.3	76.8	1361	1891	17.22	20.80	201	253
April	1733	2180	91.0	100.8	2859	2845	495	1134	5.31	5.91	84.3	74.4	1328	1778	17.28	20.71	203	265
May	1888	1974	99.3	91.4	3441	1664	640	640	5.27	6.25	88.7	72.0	1431	1695	17.24	20.73	207	272
June	1975	2051	105.4	91.4	3286	935	778	747	5.24	6.28	88.1	71.1	1450	1785	18.09	19.88	207	269
July	2187	1983	110.0	90.6	3450	1254	759	660	5.33	6.21	88.1	72.8	1564	1765	18.90	19.35	218	262
August	1953	1789	102.6	85.4	2443	1373	955	608	5.47	6.02	80.8	74.6	1518	1648	20.00	18.83	226	250
September	1961	...	107.7	...	2414	...	839	...	5.54	...	80.2	...	1596	...	19.47	17.97	220	...
October	2371	...	114.0	...	3735	...	862	...	5.42	...	81.4	...	1806	...	19.52	...	223	...
November	2259	...	110.8	...	3017	...	853	...	5.54	...	79.6	...	1672	...	19.90	...	230	...
December	2398	...	105.6	...	2485	...	852	...	5.57	...	75.2	...	1838	...	20.18	...	238	...

* Data are monthly averages or aggregates except for two series: *Bradstreet's prices* relate to the first day of the month, and *Unfilled orders of the United States Steel Corporation* to the last day of the month.

† In the REVIEW for June, 1920 these prices were revised. They have

been computed throughout by securing monthly means of the daily average prices, at the close, of 20 stocks for each month, rather than by taking means of the highest and lowest daily averages for each month, as formerly.

‡ Base, average for 1913 = 100.

The average yield on ten American railroad bonds was 6.02 per cent in August, compared with 6.21 per cent in July.

In April and May 1902, this yield was at its record low point, 3.72 per cent. From that time until 1916 there was a fairly steady upward trend in the yield; the average for 1916 was 4.43 per cent. Since 1916, the general movement has been even more strongly upward; the averages for 1917, 1918, and 1919 were, respectively, 4.78 per cent, 5.31 per cent, and 5.36 per cent. The figure for June 1920, 6.28 per cent, was the highest ever recorded; there have been moderate declines in July and August.

Below are the Dow-Jones indices for prices of four classes of bonds for June, July, and August. The indices for all classes of bonds are respectively, 57.45, 57.37, and 58.44.

	June	July	August
Highest grade rails . . .	67.72	68.97	70.89
Second grade rails . . .	55.89	55.74	56.71
Public utilities	50.56	50.01	48.70
Industrials	58.17	57.85	57.47

The value of building permits issued for twenty leading cities in August was \$60,800,000 or 8 per cent below the July item of \$66,000,000. Usually, August permits are 6 or 7 per cent below those for July, and the September and October aggregates are a trifle under the total for August. Although record figures have been reached during the past fifteen months for the money value of building permits, the *physical volume* of new construction is still below the pre-war level. The high figures recently attained are largely due, of course, to high costs of materials and labor. The United States Bureau of Labor Statistics index number for the prices of lumber

and building permits was 328 in August, compared with 100 for the year 1913.

The value of building permits is defective as a measure of actual construction for two reasons: first, a permit may be taken out but the building may not be constructed and second, building permits are not required outside of cities.

(B) THE BUSINESS GROUP

Bank clearings of the United States outside New York City were 16,480 million dollars for August, compared with 17,650 millions in July; this is a decrease of 7 per cent, the normal seasonal change. September clearings usually are 3 or 4 per cent greater than those for August, and in October there is normally an increase of more than 15 per cent over September.

Outside clearings rose sharply during 1919; the totals for January 1919 and January 1920 were 14,560 and 18,390 million dollars, respectively. The record figure of 18,910 million dollars was reached last March, but during recent months the upward tendency has been checked. In studying clearing statistics it should be kept in mind that they exhibit a strong seasonal movement. In particular, during the months October to January higher figures may be expected than throughout the remainder of the year. The figures for March, June and September also appear to be influenced by income tax payments.

Bradstreet's index of commodity prices is \$17.97 for September 1, a decrease of 4.6 per cent from \$18.83 on August 1.

During the last six months of 1918 the index was relatively stable at about \$19; on May 1, 1919 it had fallen to \$17.24; thereafter there was, with the exception of a single month, a continuous rise to \$20.87 on

ACTUAL ITEMS OF FUNDAMENTAL SERIES OF BUSINESS STATISTICS, 1919-20 *

	GROUP B								GROUP C									
	Business failures (Bradstreet) (Units of one failure)		Imports (Units of \$1,000,000)		Production of pig iron (Units of 1,000 tons)		Unfilled orders U. S. S. C.* (Units of 10,000 tons)		Loans, discounts, invest'ts, etc., of New York banks† (Units of \$10,000,000)		Deposits of New York banks† (Units of \$10,000,000)		Rate on four-to- six months paper (Units of one per cent)		Rate on sixty-to- ninety day paper (Units of one per cent)		Dividend payments (Units of \$100,000)	
	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920
January	573	510	213	474	3302	3015	668	929	475	532	394	416	5.44	6.06	5.19	6.00	622	656
February	492	441	235	468	2940	2979	601	950	476	514	381	412	5.41	6.53	5.19	6.41	413	441
March	485	531	268	524	3090	3376	543	989	485	511	392	414	5.50	6.88	5.38	6.68	530	524
April	459	481	273	496	2478	2740	480	1036	489	516	400	419	5.50	6.97	5.38	6.81	603	640
May	431	455	329	431	2108	2986	428	1094	497	516	410	416	5.50	7.38	5.38	7.16	287	309
June	421	572	293	553	2115	3044	489	1098	502	514	408	419	5.66	7.95	5.53	7.72	410	451
July	417	598	344	537	2429	3067	558	1112	496	514	406	412	5.55	8.09	5.42	7.84	548	591
August	447	633	307	519	2743	3147	611	1081	497	512	403	402	5.50	8.25	5.38	8.00	435	463
September	426	...	436	...	2488	...	628	...	517	...	417	...	5.50	...	5.38	...	418	420
October	479	...	402	...	1864	...	647	...	538	...	420	...	5.50	...	5.38	...	650	...
November	432	...	425	...	2392	...	713	...	527	...	420	...	5.62	...	5.50	...	341	...
December	488	...	381	...	2633	...	827	...	518	...	412	...	6.00	...	5.88	...	504	...

* Data are monthly averages or aggregates except for two series: *Bradstreet's prices* relate to the first day of the month, and *Unfilled orders of the United States Steel Corporation* to the last day of the month.

† Clearing House banks, including (1) members of the federal reserve bank, and (2) state banks and trust companies not in the federal reserve system.

February 1, 1920, the highest figure on record. A rapid decline has taken place since May 1. On September 1, the index was 14 per cent below the maximum value. More than one-half of the decrease is due to heavy declines in the prices of textiles; there were also decided drops in the metal, oils, and naval stores groups; hides and leather, and foods fell off less; chemicals and drugs, and building materials changed but slightly. The following table presents a comparison between the figures for May 1 and September 1:

Group	May 1 1920	Sept. 1 1920	Percentage of Sept. 1 to May 1
Textiles	\$7.28	\$5.70	78
Foods	5.76	5.47	95
Hides and leather	2.65	2.44	92
Chemicals and drugs	1.23	1.25	102
Metals	1.09	.97	89
Oils	1.10	.89	81
Naval stores	.30	.23	77
Building materials	.24	.24	100
Other groups	1.08	.78	71
Total	20.73	17.97	87

It will be noticed that in *Bradstreet's* index the groups textiles, foods, and hides and leather contribute about three-fourths of the total. The peculiar weighting is a defect of the index.

The *United States Bureau of Labor Statistics* index of wholesale commodity prices for August was 250, compared with 262 for July, a decrease of 4.6 per cent.

The index averaged 205 in the latter half of 1918, declined to 197 in February 1919, and thereafter rose almost uninterruptedly until May 1920, when a record figure of 272 was attained. The index then fell for three successive months and in August was 8 per cent below the May level. Between May and August the cloths and clothing group declined 14 per cent; the food group, 18 per cent; the farm products group, 9 per cent; and the lumber and building materials group, 4 per cent; metals and metal products showed no change; three groups — chemicals and drugs, house furnishings, and fuel and lighting — show advances of $\frac{1}{2}$ per cent, 7 per cent, and 14 per cent, respectively.

Following are the group index numbers for June, July, and August:

Group	June	July	August
Farm products	243	236	222
Food, etc.	279	268	235
Cloths and clothing	335	317	299
Fuel and lighting	246	252	268
Metals and metal products	190	191	193
Lumber and building materials	337	333	328
Chemicals and drugs	218	217	216
House-furnishing goods	362	362	363
Miscellaneous	247	243	240
All commodities	269	262	250

Bradstreet's number of business failures for August was 633, an increase of 6 per cent over 598 for July; the usual seasonal change is a decrease of 6 or 7 per cent. Failures generally fall off slightly in September and then

rise about 15 per cent in October. Since 1917 the number of business failures has been on an abnormally low level and as yet no significant change in that level has occurred.

The value of imports of merchandise into the United States in August was 519 million dollars, compared with 537 millions in July, a decrease of 2.3 per cent. The value of exports was 584 million dollars, compared with 651 million dollars in July; this was a decrease of 10 per cent. The favorable trade balance for August was 65 million dollars; in July it was 117 million dollars.

The tonnage of pig iron produced in the United States increased from 3,067,000 tons in July to 3,147,000 tons in August, or 3 per cent; this is exactly the seasonal change to be expected for this month. Usually the September figure is about the same as that for August, and in October there is almost always a decided rise, averaging 7 or 8 per cent, over September.

Pig-iron production averaged a little over 3 million tons per month in 1918 and almost exactly $2\frac{1}{2}$ million tons per month in 1919. The production for last October, 1,864,000 tons, was lower than that for any month since February 1915. By March 1920 the output had increased to 3,376,000 tons; in April only 2,740,000 tons were manufactured; since April the production has risen slightly month by month to the August total of 3,147,000 tons.

Unfilled orders of the United States Steel Corporation were 10,810,000 tons on August 31, a decrease of 310,000 tons, or 2.8 per cent, from 11,120,000 tons on July 31.

The highest total on record for unfilled tonnage, 12,180,000 tons, was reached on April 30, 1917; there followed an almost continuous decline for over two years, culminating on May 31, 1919, when the figure was 4,280,000 tons. Thereafter the unfilled tonnage increased uninterruptedly until July 31 of this year. The figure for August 31 shows but a slight recession, and is only a little more than 10 per cent under the record figure of April 1917.

The *Iron Age* in its issue of September 16, 1920 states that the change in unfilled tonnage between July and August "was caused by increase in shipments and by decrease in new bookings, a third factor being a few cancellations of old orders." So far as domestic cancellations are concerned, "it is probable that nearly all are due to falling off of steel consumption for automobiles. . . . It is quite possible, however, that the Steel Corporation is carrying on its books orders that will yet be cancelled, in spite of the fact that on the score of price the buyer might be expected to keep them alive. Some buyers who had steel coming to them on contracts placed with the Steel Corporation, being unable to get the steel as needed, went into the market and paid considerably higher prices for assured deliveries. In such cases the product in which this steel was to be used has been made up and shipped, and the need for the particular sizes and character of material having passed, nothing remains but to cancel the original order."

(C) THE BANKING GROUP

The average loans, discounts, and investments of New York Clearing House banks and trust companies were 5120 million dollars in August, a slight decline from 5140 million dollars in July. The average deposits for the same group of banks decreased from 4120 million dollars in July to 4020 million dollars in August, a fall of 2.4 per cent. Loans increased steadily from December 1918, except for a slight recession in July and August 1919, to the record figure of 5380 million dollars in October 1919. In the last ten months the steady expansion previously noticeable has stopped.

The average rate of interest on four-to-six months commercial paper in New York was 8.25 per cent in August, compared with 8.09 per cent in July. This increase, however, was less than the usual seasonal change and hence the corrected item for August shows a slight decline from that of the preceding month.

Commercial paper rates fluctuated very little throughout the first eleven months of 1919; during that time the monthly average rate on four-to-six months paper ranged from 5.41 per cent to 5.66 per cent. During the present year this rate has risen rapidly from 6.06 per cent in January to 8.25 per cent in August.

The fluctuations of *the rate on sixty-to-ninety day commercial paper in New York* are, of course, quite similar to those just described, although on a slightly lower level. The sixty-to-ninety day rate was 8.00 per cent in August, compared with 7.84 per cent in July, 6.00 per cent in January, and 5.38 per cent last October.

Dividend payments by industrial corporations are announced as \$42,000,000 for September, compared with \$41,800,000, \$61,000,000, and \$62,000,000 for the corresponding months in 1919, 1918, and 1917, respectively. The general level upon which dividend payments are fluctuating has not changed materially for over a year.